Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 2134 - Medicaid Fixes (LSB 5555 HV)
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Fiscal Note Version — New
Requested by Representative Danny Carroll

Description

House File 2134 includes three savings initiatives to the Medical Assistance (Medicaid) Program within the Department of Human Services. The savings initiatives are retroactive to October 1, 2003, and include the following:

1. The Bill expands the provider assessment fee on Intermediate Care Facilities for persons with Mental Retardation (ICF/MR) to include facilities operated by the State Resource Centers at Glenwood and Woodward.
2. The Bill also allows Home and Community-Based Waiver Services within the Medical Assistance (Medicaid) Program to be provided to individuals living in Residential Care Facilities (RCF).
3. The Bill amends the State Supplementary Assistance Program to allow the State to draw down federal matching funds for Medicare premiums for individuals in the Medicaid Buy-in Program.

In addition, the Bill makes the Nursing Facility Quality Assurance Fee retroactive to October 1, 2003.

Assumptions

1. ICF/MR Assessment

House File 2134 requires the State Resource Centers to pay the ICF/MR assessment fee. The fee is levied at 6.0% of total annual revenues. The estimated cost of the fee paid by the Centers is $5.3 million in FY 2005. This results in an increase in revenue to the State Medical Assistance (Medicaid) Program of $5.3 million. The provider assessment fee is a reimbursable cost under the Medicaid Program. As a result, the State Resource Centers will receive increased reimbursement from Medicaid of $5.3 million in FY 2005. Due to the above, there is no fiscal impact to the Centers in FY 2005.

The increased Medicaid payment to the Centers of $5.3 million is composed of $1.9 million State funds and $3.4 million federal funds, based on the FY 2005 estimated Federal Matching Assistance Percentage (FMAP) of 63.64%. The FY 2005 net impact to the State is an increase in revenue of $3.4 million. This is due to an increase in revenue of $5.3 million, offset by the cost of the State match to reimburse the Centers of $1.9 million.

2. Residential Care Facilities (RCF)

House File 2134 allows residents of RCFs to receive Home and Community-Based Services through the Medical Assistance Waivers. The State pays the State match for the Elderly Waiver and for State Cases clients in the Mentally Retarded (MR) Waiver. Mentally Retarded (MR) clients without a county of legal settlement are funded by the State through the State Cases Program. The estimated number of new recipients is 800 elderly and 35 MR State Cases. Based on this estimate of new clients, the estimated FY 2005 cost to the State of adding these services under the Elderly Waiver and the State Cases Program is $1.7 million State funds. The $1.7 million State funds will be matched by $3.1 million federal funds, using the estimated FY 2005 FMAP of 63.64%.

The counties pay the State match for the MR Waiver (except for the clients with no county of legal settlement, who are funded by the State). The estimated number of new clients served under the MR Waiver is 687. Based on 687 new clients, the cost to the counties for the State match for the MR Waiver services is $6.2 million, which will be matched by $10.9 million federal funds. This assumes an FY 2005 FMAP of 63.64%.

The counties currently pay for some of the services that will now be funded through the Waiver with 100.0% county funds. As a result, the counties will experience a net savings by being able to draw down federal matching funds for services that were previously 100.0% county funded. If all of the services that will now be available under the Waiver are currently being provided by the counties (with 100.0% county funds), the estimated net savings to the county would be $10.9 million. It is unlikely, however, that all of the Waiver services are currently being provided through the counties. As a result, the actual net savings to the counties is less than $10.9 million. It is not known which services are currently provided in each county. Therefore, the actual savings cannot be determined.

February 1, 2004, administrative rules went into effect that reduced reimbursement rates to RCFs in the State Supplementary Assistance (SSA) Program. The rates were decreased from $26.20 to $25.00 for a State cost avoidance of $1.7 million in FY 2005 in the SSA Program. The rate reduction was implemented to avoid a shortfall in the SSA Program in FY 2004. The $1.7 million in State savings results in decreased reimbursement to RCF providers. The RCF providers will receive new reimbursement from the State through the Waiver, which will offset the reimbursement rate reduction.

3. Buy-in Program

House File 2134 amends eligibility for the SSA Program to allow a group of recipients in the Medicaid Buy-in Program to be eligible for federal matching funds for their Medicare premiums. Under the Buy-in Program, the State pays for the Medicare premiums for Medicaid recipients who are also eligible for Medicare. If the recipient falls into certain categories, the State may draw down federal matching funds for 63.64% of the cost of the Medicare premium. If the recipient does not fall into one of the categories, the State pays the premium with 100.0% State funds.

The changes in the Bill allow approximately 6,200 recipients who are 100.0% State funded to become eligible for the SSA Program, which then allows them to qualify under the federal categories. The State will then be able to draw down federal matching funds for this group. The 6,200 recipients will be paid $1 per person per month from the SSA Program. The payments will cost approximately $74,000 in State funds in FY 2005. The estimated savings in the Medicaid Buy-in Program is $3.6 million in FY 2005, due to the increased federal matching funds.

4. Operating Costs

The additional clients in the Waiver Programs and the additional payments in the SSA Program result in an increase in Field Operations staff of 9.2 FTE positions, including the following:

- An increase of 4.3 Income Maintenance Worker FTE positions due to an increase of 1,800 applications for the Waiver Programs.

- An increase of 800 clients on the Elderly Waiver Program requires an increase in Social Workers of 3.0 FTE positions.
- The additional 6,200 SSA Program payments results in an increase of 0.3 Income Maintenance Worker FTE position.
- An increase of 1.6 Advanced Typist FTE positions.

An increase of 9.2 FTE positions results in increased costs of approximately $370,000 in State funds and $140,000 in federal funds for Field Operations. In addition, the estimated costs associated with computer system changes are $23,000 in State funds and $15,000 in federal funds.

5. Nursing Facility Quality Assurance Fee

The Bill amends the Nursing Facility Quality Assurance Fee to be retroactive to October 1, 2003. This change has no fiscal impact since the fee has not received federal approval and is not in effect. If the fee were to be approved, the retroactive date adds $1.9 million in revenue to the Senior Living Trust Fund.

6. October 1, 2003 Effective Dates

The Bill makes provisions related to the ICF/MR Assessment and the SSA Program changes retroactive to October 1, 2003. This provides for estimated net State savings in FY 2004 of $5.2 million. This includes an increase in revenues from the ICF/MR fee of $2.5 million and decreased expenditures in the SSA Program of $2.7 million. These estimates are based on three-fourths of the FY 2005 net savings from these two initiatives.

Fiscal Impact

The FY 2004 fiscal impact of HF 2134 is an increase in State revenues of $2.5 million and a net decrease in State expenditures of $2.7 million, for a net savings to the State of $5.2 million. The FY 2005 fiscal impact is an increase in revenues to the Medical Assistance (Medicaid) Program of $5.3 million. The increased revenues are offset by a net increase in State General Fund expenditures of $487,000, for a net savings to the State of $4.8 million.

Source

Department of Human Services

Dennis C Prouty

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The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.